

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SS-20 L-03 H-03 NSC-07 PA-04

PRS-01 USIA-15 AID-20 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02

LAB-06 SIL-01 OMB-01 DRC-01 /142 W

----- 079269

R 040349Z APR 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 1419

USDOC WASHDC

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EO 11652 NA

TAGS ETRD TW

SBUECT: CHANGES IN ROC IMPORT DUTIES AND COMMODITY

TAXES ON ELECTRICAL APPLIANCES

REF STATE 64979

1. SUMMARY : IMPORTERS AND DISTRIBUTORS OF U.S. ELECTRICAL APPLIANCES AND TFS IN ROC ARE DISTURBED AT REPORTS GRC WILL TAKE FISCAL ACTIONS WHICH WOULD RESULT IN THOSE PRODUCTS BEING PRICED OUT OF LOCAL MARKET. VICE MINISTER OF FINANCE WANG SHAO-YU ADMITS GRC CONSIDERING REDUCING DUTIES ON IMPORTED PARTS USED IN LOCALLY-PRODUCED APPLIANCES AND TVS IN ORDER TO MAKE THEM MORE COMPETITIVE ALSO ADMITS POSSIBILITY OF INCREASING COMMODITY TAX ON CERTAIN APPLIANCES AND TVS, BOTH LOCAL AND IMPORTED, IN ORDER TO REDUCE CONSUMER SPENDING. WHILE WANG DENIES EITHER ACTION AIMED AT PROTECTING LOCAL MANUFACTURERS AT EXPENSE US PRODUCTS, WANG UNDERSTANDS CONCERN IMPORTERS AND DISTRIBUTORS AND IS AGREEABLE TO MEETING WITH THEM TO DISCUSS PROBLEM. END SUMMARY.

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2. ECON COUNS INFORMED APRIL 3 BY VICE MINISTER OF

FINANCE WANG SHAO-YU THAT GRC HAS TAKEN NO REPEAT NO ACTION EITHER TO REDUCE DUTIES ON PARTS IMPORTED FOR USE IN MANUFACTURE ELECTRICAL APPLIANCES INCLUDING TV SETS OR TO INCREASE COMMODITY TAX ON ELECTRICAL APPLIANCES. WANG DID NOT RULE OUT POSSIBILITY, HOWEVER, THAT EITHER OR BOTH ACTIONS MIGHT BE TAKEN. INTERMINISTERIAL COMMITTEE COMPOSED OF REPRESENTATIVES MINISTRIES OF FINANCE AND ECONOMIC AFFAIRS IS CURRENTLY ENGAGED IN ANNUAL REVIEW OF TAX AND TARIFF SCHEDULES. WANG STATED COMMITTEE HOPES TO HAVE RECOMMENDATIONS FOR CHANGES READY FOR PRESENTATION TO EXECUTIVE YUAN BY END OF APRIL. WHEN APPROVED BY THAT BODY, THEY WILL BE SENT TO LEGISLATIVE YUAN FOR APPROVAL.

3. WANG ACKNOWLEDGED THAT ACTION MENTIONED IN PARA 1 OF REHFELDT TELEX HAS BEEN REQUESTED BY TAIWAN ELECTRICAL APPLIANCES MANUFACTURERS ASSOCIATION.

ASSOCIATION CLAIMS THAT BECAUSE OF HIGH DUTIES ON PARTS, ROC-MADE APPLIANCES ARE NOT COMPETITIVE WITH APPLIANCES FROM JAPAN AND OTHER COUNTRIES IN WORLD MARKETS.

4. WANG ALSO ACKNOWLEDGE THAT COMMODITY TAX MAY BE INCREASED ON SOME ITEMS AS ELEMENT IN GRC'S EFFORT TO CHANNEL ADDITIONAL FUNDS INTO SAVINGS AND AWAY FROM PURCHASES OF "LUXURIES". ITEMS MOST FREQUENTLY MENTIONED AS TARGETS ARE COLOR TVS, AIR CONDITIONERS, LARGE AUTOMOBILES, EXPENSIVE JEWELRY, COSMETICS AND PERFUMES. IT IS COINCIDENTAL THAT ALMOST ALL THESE ITEMS ARE IMPROTS.

5. ECON CUN'S POINTED OUT TO WANG THAT SALES OF US APPLIANCES IN ROC HAVE INCREASED CONSIDERABLY IN PAST SEVERAL YEARS AND IMPORTERS AND DISTRIBUTORS HAVE INVESTED HEAVILY IN NEW SHOWROOMS AND SERVICE FACILITIES ON ASSUMPTION IMPORT CLIMATE WOULD REMAIN FAVORABLE. ANY ACTION TAKEN BY GRC WHICH COULD HAVE EFFECT OF PRICING US IMPORTS OUT OF ROC MARKET LIMITED OFFICIAL USE

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IS OF GREAT CONCERN TO THOSE IMPORTERS AND DISTRIBUTORS. IT ALSO IS OF CONCERN TO USG BECAUSE OF ADVERSE IMPACT WHICH DECREASED IMPORTS OF US CONSUMER GOODS WOULD HAVE ON TRADE BALANCE BETWEEN OUR TWO COUNTRIES.

6. WANG EMPHASIZED THAT IT REMAINS GRC POLICY TO ENCOURAGE IMPORTS FROM US. IN THIS PARTICULAR

CASE THAT POLICY CONTRAVENES TWO OTHER GRC POLICIES:
INCREASING EXPORTS OF LOCALLY MANUFACTURED APPLIANCES
AND DECREASING SALES OF HIGH-PRICED CONSUMER GOODS.

7. ANG IS AGREEABLE TO MEETING WITH IMPORTERS AND
DISTRIBUTORS OF US APPLIANCES TO DISCUSS
THEIR CONCERNS. EMBASSY IS ENDEAVORING TO ARRANGE
SUCH A MEETING EARLY NEXT WEEK.

8. EMBASSY SUGGESTS THAT COMMERCE REPLY TO REHFELDT,
MERELY NOTE RECEIPT OF TELEX AND INDICATE THAT
INSTRUCTIONS HAVE BEEN SENT TO EMBASSY TO PURSUE
SUBJECT DILIGENTLY WITH GRC. EMBASSY WILL REPORT
PROMPTLY RESULTS OF NEXT WEEK'S MEETING IN EVENT RE-
SULTS ARE SUCH THAT UNDER SECRETARY TABOR WILL WISH
TO RAISE SUBJECT WITH MINISTER OF FINANCE K.T. LI
DURING HIS WASHINGTON VISIT APRIL 18-19.
MCCOANUGHY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CUSTOMS DUTIES, POLICIES, EXCISE TAXES, ELECTRIC APPLIANCES, CENTRAL GOVERNMENT
Control Number: n/a
Copy: SINGLE
Draft Date: 04 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TAIPEI02098
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740075-0997
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740465/aaaachjo.tel
Line Count: 133
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: STATE 64979
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 12 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12-Aug-2002 by boyleja>; APPROVED <10-Sep-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: n/a
TAGS: ETRD, TW, US
To: STATE COM
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005